

Investment - Social Housing

Ireland has a major housing crisis. Demand far exceeds supply especially in the Greater Dublin area. As a result the cost of accommodation has risen steeply and is now far beyond the financial capacity of many.

The most recent assessment of housing need in Ireland was published in May 2013. At that point there were 89,872 households qualified for social housing. The number of households on waiting lists has almost certainly risen since then.

The number of households becoming homeless because their rent has been increased has also been escalating.

The number of homeless people in emergency accommodation across the State in May 2016 was 6,170 This includes 2,177 children with their families. These numbers have been rising steadily. In the past most homeless people were single adults but this has changed dramatically in recent years. In May 2016 there were 1,054 homeless families in Ireland accessing local authority managed emergency accommodation. It should be noted that these numbers do not include people who are sleeping rough or the 'hidden homeless' who live in squats or with friends.

Demand for housing far exceeds supply especially in the Greater Dublin area. As a result the cost of accommodation has risen steeply and is now far beyond the financial capacity of many.

There is also a relatively large cohort of householders who are unable to meet their mortgage payments following on from the consequences of the crash of 2008 and the subsequent recession.

In recent years Government policy was based on the premise that the private sector would provide sufficient rental accommodation to meet the overall need for accommodation in Ireland. However, the private sector is delivering nowhere near the number of units required to meet the demand.

The Government's Social Housing Strategy (SHS) was a welcome initiative that sets targets up to 2020. However, its targets are far too low to meet the scale of the challenge Ireland currently faces. For example, it sets out to provide 35,000 new social housing units by 2020 with the balance of need being met by support schemes. This is far below the level required to eliminate housing waiting lists. Further initiatives on a much larger scale are required if Ireland is to respond effectively to the current housing crisis.

Consequently, **Social Justice Ireland recommends** that Government's new proposed plan for housing be of sufficient scale to effectively eliminate the current waiting list of 90,000 households while also providing for the increased demand for social housing in coming years. It will not be possible for Government to finance this level of provision 'on the books' because of the fiscal rules that have been adopted since the crash. Consequently, a viable means of financing this provision 'off-the-books' is urgently required. *Social Justice Ireland's proposals are set out in the box (right).*

Financing Social Housing Construction

Government needs to plan on the scale required to end Ireland's social housing crisis. The key challenge is to increase the supply of housing generally and of social housing in particular. Currently there are 90,000 households on waiting lists. This number is set to rise quite dramatically as a growing number of households will not be in a position to finance their own accommodation.

However, there is an urgent need to address the issue of how the required increase in social housing is financed. The fiscal rules that set the parameters for each year's budget are blocking Ireland from investing in this essential infrastructure.

Government cannot provide the amounts required by using traditional methods, such as an increase in borrowing to fund local authority social housing, because this adds to the Government deficit which Ireland is committed to reduce as part of the Fiscal Compact and related initiatives. New approaches are needed.

Currently, the Irish Government can borrow substantial sums of money at record low interest rates. In this context **Social Justice Ireland proposes** two new initiatives.

(i) Structural Reform Clause

Government could substantially increase the resources available to finance social housing by invoking the structural reform clause contained in the EU's Stability and Growth Pact. This clause allows Government's to cater for the short-term costs of implementing structural reforms that will have long-term positive budgetary effects. While additional 'off-the-books' financing would still be required, this clause would allow for up to 0.5 per cent of GDP (about €1bn) additional 'on-the-books' financing to be available to address this challenge.

(ii) Special Purpose Vehicle (SPV)*

Government should also put in place an *off-balance-sheet* mechanism that would access low-cost finance to address the lack of supply of social housing. One way of doing this would be to use a vehicle such as NAMA which has expertise in developing such mechanisms.

There are about 107,000 social housing units owned by Local Authorities and paying rent regularly which could be used as collateral against the loans taken on by an SPV. It should be possible to put together a proposal that meets the Eurostat conditions for an acceptable off-balance-sheet initiative.

Another possible approach to establishing an SPV, suggested by NESC in its 2014 report on housing, is based on a French model through which a portion of the An Post savings deposits could be made available through the NTMA to the Housing Finance Agency which would then lend to housing bodies at a moderate fixed mark-up on the rate paid to savers.

Both of these initiatives would provide the finance for Local Authorities and Approved Housing Bodies to dramatically increase the supply of social housing. This supply is required to stabilise the rental market and enable Ireland to move to a cost-based rental approach. In passing we note that a move to a cost-rental approach will require initial subsidies to allow housing bodies to service available loans and to ensure that those on low incomes do not lose out.

*Full details of this proposal are available in our Submission to the Oireachtas Committee on Housing and Homelessness online at www.socialjustice.ie